Quick Guide:

Building & Managing Your
Recruiting Budget in 7 Steps

ClearCompany

Introduction

The **average US company** spends $4,000 on filling an open position. Meanwhile, it takes an average of 52 days to make a hire. That doesn't include the time it takes to see that hire reach full proficiency or even consider the fact that the hire might not remain in the job more than a few months. While talent acquisition professionals disagree on the **best approach to recruitment tactics**, there's one thing that the majority (90%) do stand together on: today's market is **candidate-driven**.

A competitive market like the one we are seeing now leads to a variety of new recruiting tactics and strategies. For some organizations, it might mean increasing the starting wage for a specific skillset while others rework their candidate experience. Another company might shorten their hiring process in hopes they beat their competition to an offer letter. There's a multitude of approaches recruiters take to grab top talent. However, each approach has one thing in common: they directly affect the recruiting budget.

The economy has a way of affecting jobs and spending, so the future of recruitment budgets might see quite a big adjustment in the coming years. Currently, however, most **companies are increasing** their recruitment spend all for the sake of landing the highly skilled talent now entering the market.

Whether you're a recruiter hoping to **strategically plan** your talent acquisition program or an executive level leader looking for a better understanding of where all those dollars go, this guide will help you easily **build and manage your recruiting budget** in 7 quick steps.

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Step 1
Analyze Your Overall Spending

Truly understanding your recruiting costs requires a complete audit of your current spending. How can you spend intelligently without knowing the bigger picture? Think about it in terms of personal finance. Often, individuals have no idea how much money goes to eating out or small sales purchases until they check their monthly bank statement to see the balance. In fact, seeing how miscellaneous expenses total up is usually a big surprise.

If you haven't been keeping a close eye on your budget, there's a good chance you'll experience similar "ah-ha" moments.

Do:
Organize a Budget Tracker Sheet

This sheet should be separated by services, tools, advertising, technology and any other goods associated with your recruitment process. Be sure to include the employee salaries and man hours. We recommend making a place for notes beside each expense. In that section, place the primary and secondary uses and duties of the service or good. If you can't quickly provide an answer or description, there's a chance it's time to reassess that tool. It's most helpful if you delineate which expenses generate candidates and which do not, though most will probably have a hand in **finding qualified talent**.

Bonus

With a detailed organized budget tracker, you can easily monitor which expenses are directly influencing candidate experience or building relationships with qualified leads. For example, while your **applicant tracking system** might take a large portion of your total budget, the detailed notes line shows that though the primary use is to ease candidate management for recruiters, it also plays a part in nurturing your pipeline and creating a positive candidate experience.

Tip:
Total the Expenses by the Category

Separate your total expenses by their category. That way you can easily see where the majority of your recruitment budget goes and if the impact is showing a return.
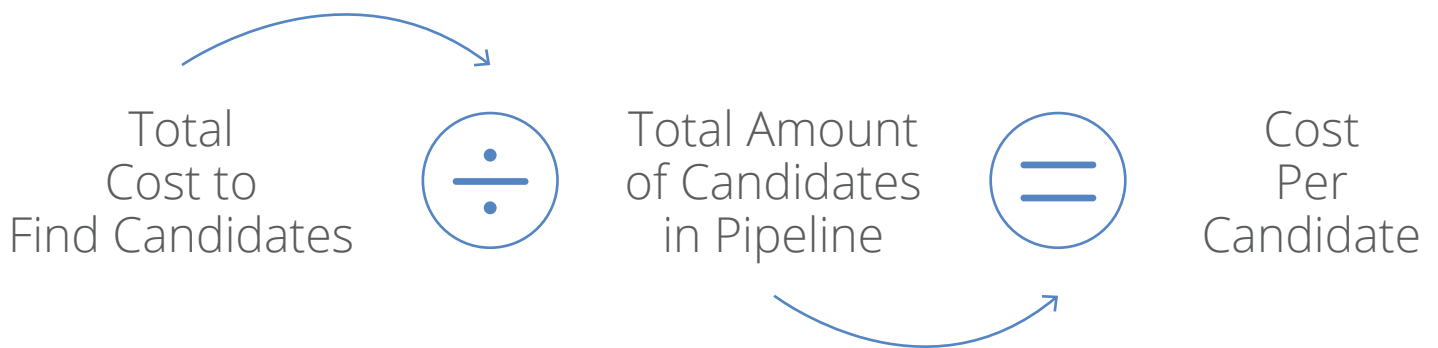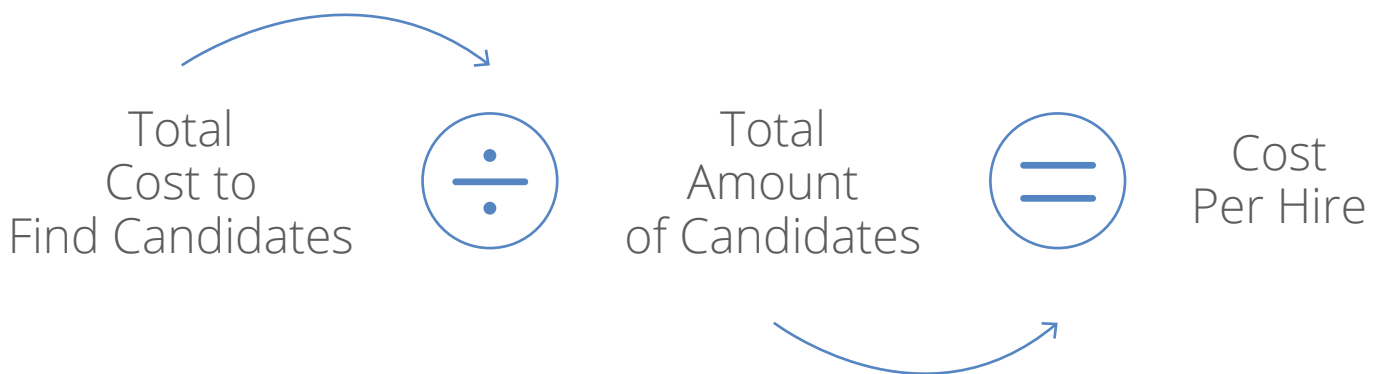
With your new budget tracker sheet, you can see what areas a majority of your recruitment dollars are being spent. You can also see what internal processes and tools cost. Use that to determine your cost per candidate and cost per hire. With this knowledge, you'll be able to see just how much recruiting is costing your company, which will clarify trends in your process and provide key performance measurements and insight on attainable goals.
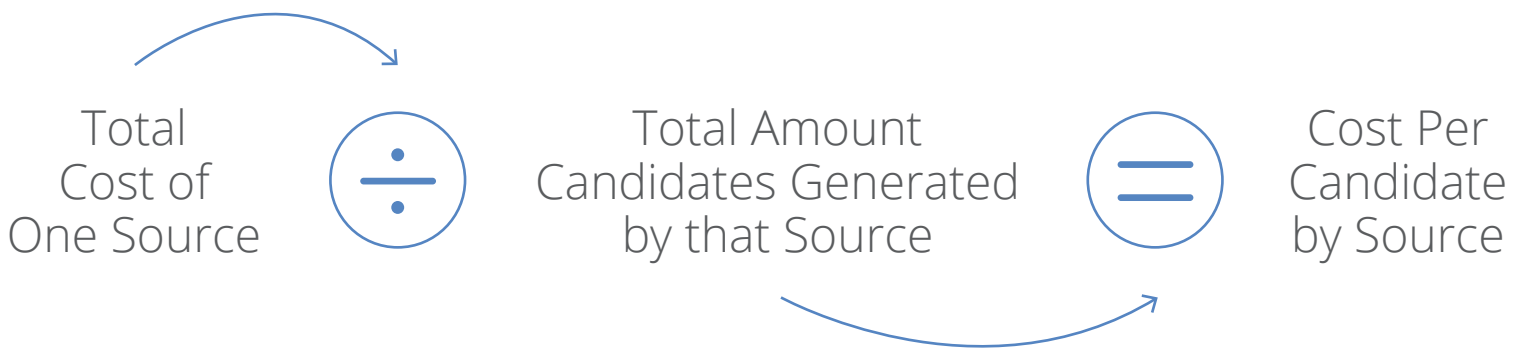
Finding Your Cost Per Candidate

Total Cost to Find Candidates ÷ Total Amount of Candidates in Pipeline = Cost Per Candidate

Finding Your Cost Per Hire

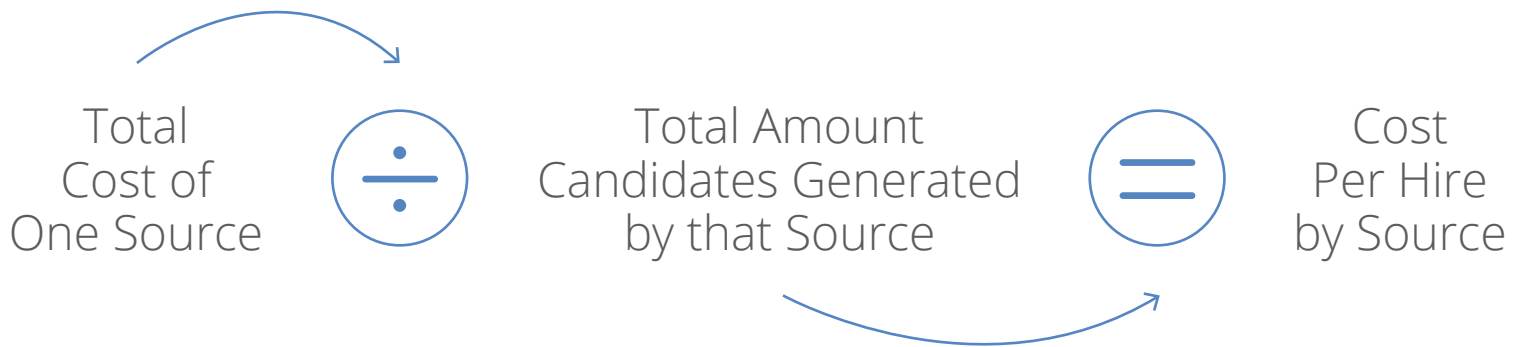Total Cost to Find Candidates ÷ Total Amount of Candidates = Cost Per Hire

Though every step in building a recruitment budget is eye-opening, determining the cost of your candidates per the source they're obtained is one of the most influential on future adjustments. The results will point out which sources are producing more candidate traction and if the price is worth its production. If one avenue doesn't seem to show a return on investment, that part of the budget can be reallocated to a more lucrative source.

Your budget tracker sheet will have each source listed out separately with its price and use identified. With each of the tools separated by services and technologies that help your company connect with candidates, use the following formula to determine what each source costs per candidate.

Finding Your Cost per Candidate by Source

Total Cost of One Source ÷ Total Amount Candidates Generated by that Source = Cost Per Candidate by Source

Find Your Cost Per Hire by Source

Total Cost of One Source	÷	Total Amount Candidates Generated by that Source	=	Cost Per Hire by Source

Always:
Take Note of the Source of Each Hire and the **Quality of that Hire**

Pay attention to where your hires are coming from and how long they stay onboard or if they are qualified to perform the job. If possible, work alongside your HR team to pull quality of hire data from **performance management software**. Connecting those A Players to the place they first learned of your company will unveil patterns and show where you stand the greatest return on recruiting investment.

Where do your A Players come from?

Don't be afraid to ask candidates where they found out about the opportunity. In fact, tack the question on to your application process so that you can track where you are garnering the most candidate interaction. An Applicant Tracking System should recognize patterns that **determine where the best-fitting applicants** are coming from. You'll notice that high-quality tech talent generally finds you through one avenue while quality sales employees generally come from another. This information can help you better allocate recruitment budget based on the various job openings you see throughout the year.

Step 4
Monitor Competitor Trends

Internal assessments and audits will explain where your recruitment budget is going and where it will make sense to halt spending. It might also reveal that quite a few of your recruiting tactics simply aren't **providing the right candidates** or enough applicants. Monitoring where your competitors are placed and how they seem to connect with their audience could point your recruiting team to a new direction and more lucrative approach.

How to Get Started:
Choose 2 or 3 Close Competitors

It might make the most sense to keep your top competitors local since there's a good chance that's who you go up against for talent most often. However, some industries are a little more difficult to keep that narrow. Take note of the different candidates you're hiring for the position. There's a chance that your competition will vary depending on the type of skills being recruited.

Try:
Study Social Media Pages and Title Based Searches

Watch how companies in your community, whether local or industry-based, approach audience-facing avenues, like social media or job board ads. Learn the tone of their descriptions and the content they share. Is there a way you can replicate that for your own organization? Or, better yet, can you be the first in your space to try something new, like search engine optimized job ads or company culture-focused Instagrams, that are easily found and attractive to today's candidates?

Always:
Begin with Candidate Personas

Consider your culture and what your candidates will be looking for in a company. By focusing on the people you hope to recruit, you increase the likelihood that your recruitment decisions actually appeal to the specific talent. For example, taking the time to consider the software developers' habits and priorities will point you to the places, like niche job boards, they might frequent instead of placing general job boards where a lot of traffic won't be a match to the job opening.

Step 5
Restructure the Budget

The moment you've been waiting for: developing your recruiting budget. While auditing your recruiting tools and tactics, you should already see patterns in the current budget. There's a chance you've even discovered places where your dollars are being wasted and should be reallocated. The direction you take your budget is more to your company's unique place in the market and among candidates.

Use Your Goals to Delineate Your Dollar

To begin restructuring, revisit or determine the goals your organization has for hiring. This will inform where you focus your money and where you can save some funds. For example, if your company is expanding in the coming months, you will probably need to accelerate candidate hiring and find specialized skills. In this case, you will need to focus on time to hire and niche hiring tactics.

On the other hand, maybe you expect hiring to remain steady or even dip. That doesn't mean you should stop recruitment spending completely. Use this as an opportunity to experiment with new tactics. Focus on building or maintaining your employer brand so you can count on your reputation for future recruiting initiatives.

Remember:

Count the worthy tools, tech and services out of your budget. If you've decided that your organization would suffer without your talent management programs, then count that expense out of your total amount of spend.

Always Build in a Bumper

This might seem like an obvious piece of your budget planning experience, but the truth is people usually sorely overlook this important step. Sometimes it is due to oversight, where the budget doesn't allocate enough funds to emergency or unforeseen expenses. That's why it's pivotal. If, however, your team is dedicating every dollar to your tools and payroll, break this habit and reassess your spending.
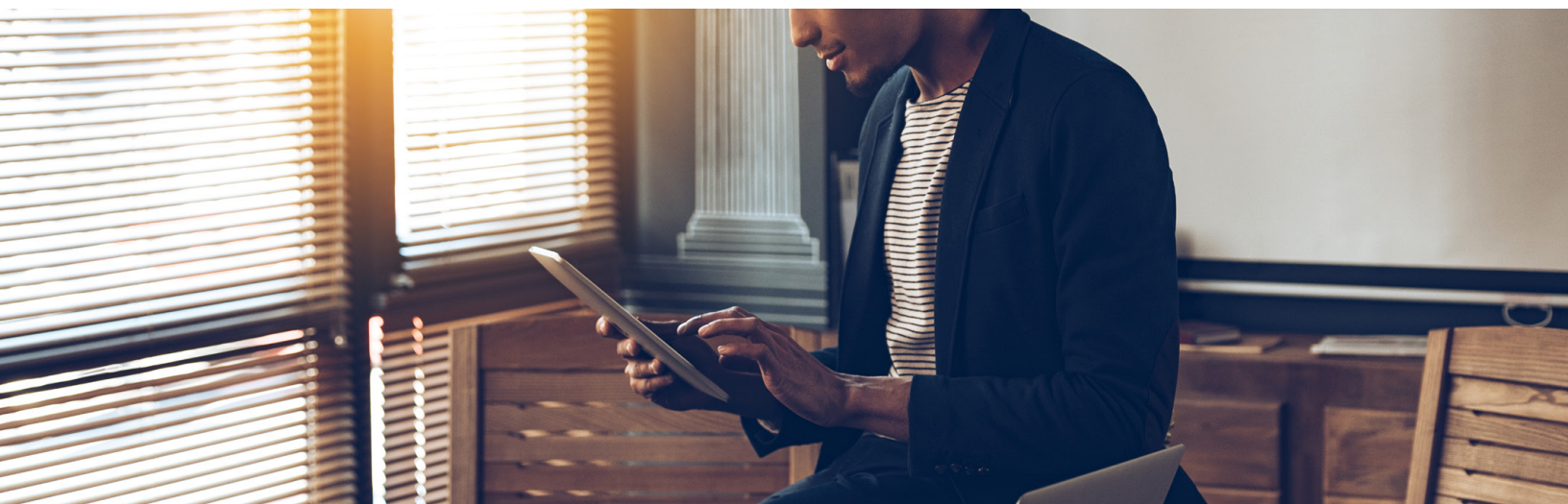
Step 6
Create an Expense Approval Process

Often, the challenge with starting new processes comes down to executive buy-in. There isn't a department in existence who hasn't felt the painful sting of hearing no from leadership after spending weeks researching, finding and getting excited for the next greatest thing.

Though it might be pain point in your automation and program improvement journey, take a moment to consider the reason why executive approval is so important. Admit it: you've done your research and been excited about a new way to raise productivity, only to have the excitement lead to blinders on missing features or inefficient new processes. Don't worry, we all have. Luckily, the approval process has stepped in to remind you of what's truly necessary to keep your team on track and maybe even convince your boss that you need more recruitment spend.

Tip:

Be on the look out for discounted rates and free trials. If you're positive you are getting the best deal out there and there's no question on ROI, then you've set yourself up for success.

Do:
Eliminate Blinders Early On

Take time to really analyze the problem that you're department is facing and exactly how an increase in budget or a new tool will help solve this problem. When researching ask:

- Will this tool or process save staff time?
- Will this tool or process save the team money?
- Will this tool or process save the company money?
- What is the benefit of purchasing this tool or process?
- Will this tool or process replace another more costly tool or process?

Always:
Use Numbers or Examples When Possible

Take the most recent budget sheet you created (see Step 1) to answer to these questions. Gather analytics from wherever possible. If the new tool or process will be used to save time, consider asking employees to track their hours for a few weeks.

Try:
Creating a Comparison Sheet

After gathering the numbers, organize your findings in a comparison sheet format. That way you can analyze the differences line by line and in a digestible format. If after all this, the tool or process seems to be a positive addition to your **recruitment and talent acquisition process**, then use all your data and research to build your presentation to executives.

Tip:

Keep your data and comparison sheets filed away with your budget documents and update them when possible. When it's time to renew your contracts, you will have a record to refer back to when discussing cost.

Bonus

By creating your own approval process, you decrease the amount of new expenses your team presents to leadership, which will increase the confidence executives have in your requests. Your leaders will know that you only present changes when it's necessary or when it will save a lot of money.

Step 7
Reassess

These budgets are living, breathing pieces of your organizational structure. As your company changes, the way you recruit and how money is spent will follow. Be sure to audit your progress every month or so. Organizing your quarterly reports will be simplified and your team will be able to more easily monitor expenses that are or will exceed their budgets. The advance notice will allow for an easier pivot to a more cost efficient solution.

Tip:

Keep a record/notes of any struggles you or your team experiences with new tech or tools, even if your account manager guides you to solutions. You might be able to help the company improve their product, or you will understand what features are important for future investments.

More Reading:

If you're interested in beginning your journey to becoming a more data-driven HR and recruiting team, start with this worksheet of **40+ data driven metrics**.

Today's Budget and Beyond

Building your recruitment budget and maintaining a record of results will provide a strategic and metric-driven process for the future. With each passing month, you'll see a clearer direction for your recruiting program. If you run into walls where the budget simply doesn't seem to produce results, your organized record of spending can be used to call on previously used tactics. You'll not only know the costs associated with the tactic, you'll know the results and struggles your team encountered. That's why keeping a diligent and updated record of budgeting tactics and results is so important.